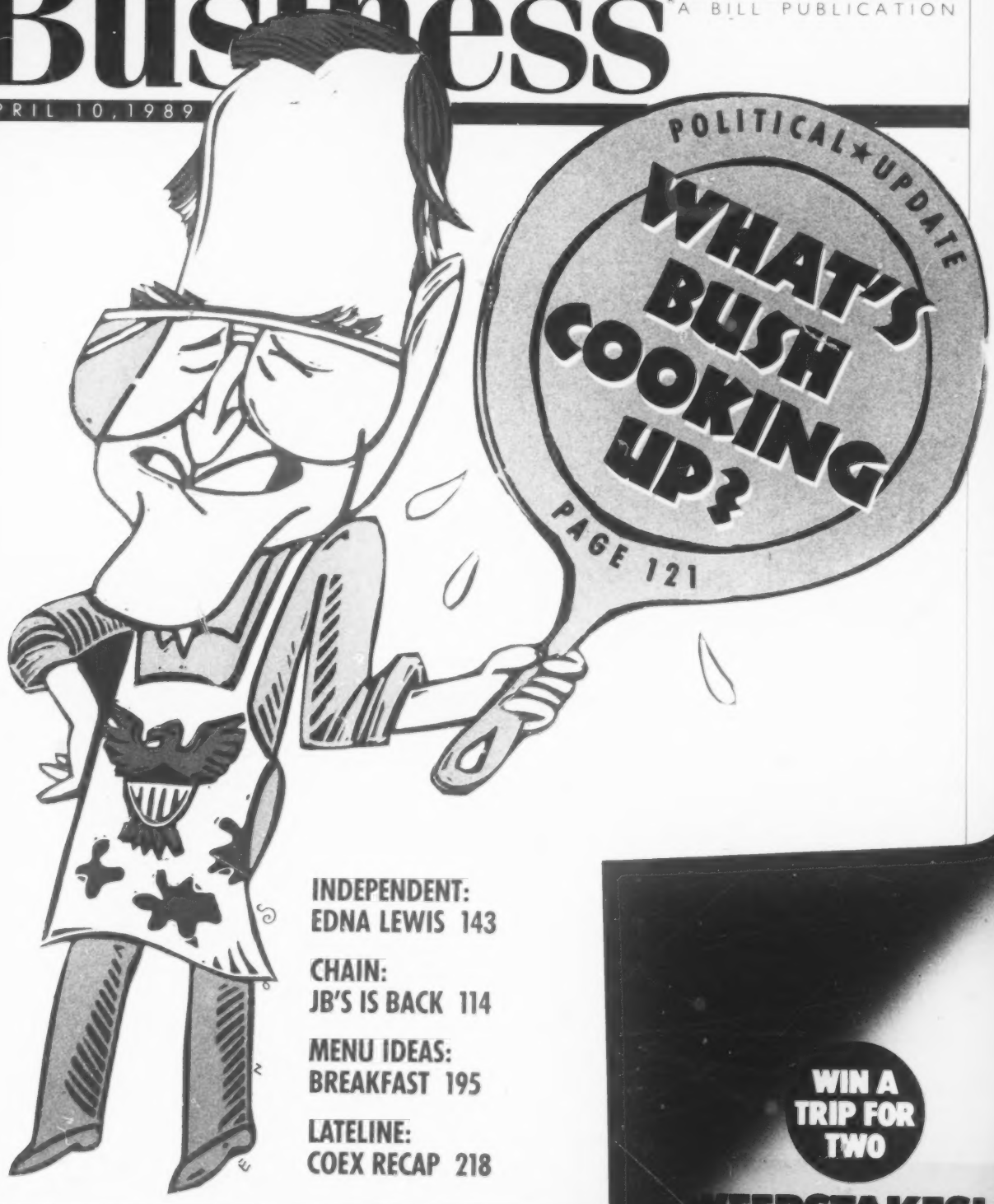
MARKET SEGMENT REPORT **ICE CREAM & YOGURT** 171

Restaurant Business

A BILL PUBLICATION

APRIL 10, 1989



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SWEEPSTAKES!

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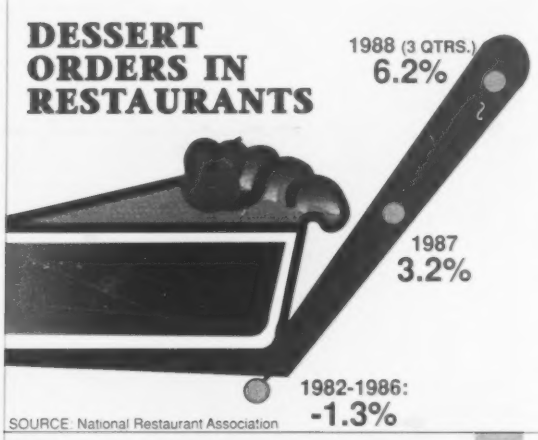
BUSINESS BAROMETER

The Hard Facts Shaping Our Industry

By Howard Riell



Making An After-Dinner Mint

"The sweet tooth," declares the National Restaurant Association, "is back." Despite the popularity of healthful foods, Americans are still allowing themselves more splurges when dining out. Ice cream represents 51% of all desserts ordered in 1987 (20% of it soft-serve, 16% sundaes, and 15% regular ice cream). Other frequently ordered desserts are pies (11% of all ordered); cakes (9%); cookies (8%); frozen non-ice-cream items, like yogurt (5%); gelatin/pudding (4%); cheesecake (2%); and other desserts (10%). Dessert displays are used at just over 10% of tableservice restaurants.

"EARLY BIRD" DINNERS
Have customer counts increased since adding "Early Bird" dinners?
(asked of Florida restaurateurs)
Yes 77%
No 23%
SOURCE: Florida Restaurant Association survey

The Early Bird Catches The Customer

"Early bird" dinners—those served as early as 4 p.m.—have produced solid results, according to some Florida restaurateurs. They provide diners with savings: average "early bird" checks are about $7.46, as opposed to $9.83 during normal dinner hours. Almost 67% of respondents said "early bird" dinner periods last from one to two hours; 21% said they last two-and-a-half to three hours. Also, 26% of operators said traffic increased between 11% and 25% in 1988. Food costs, however, tended to be higher, according to 45% of operators; 34% said they were unchanged.

Delivering On A Promise

Home delivery has become the fastest-growing segment of the off-premise market, and is expected to grow 30% annually for the next several years, according to *The Lempert Report*. While the potential for virtually every segment of the industry seems unbounded, there are negatives. Supermarkets are following the trend as well, providing them with yet another way to steal the dining-out dollar from restaurant operators. Also, delivery means deliverers—and the foodservice industry is already low on manpower. Top market for the future: "cocooning couples."

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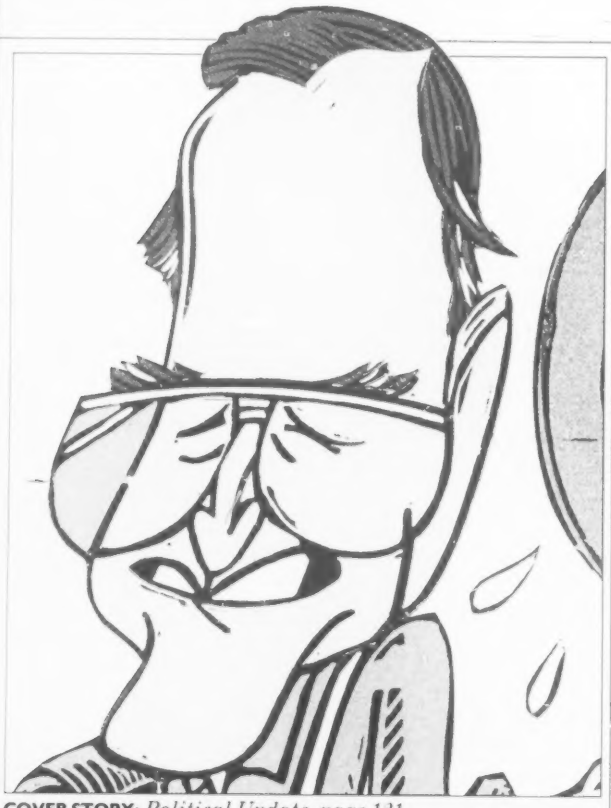

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COVER STORY

POLITICAL UPDATE. *What's cooking in Washington? Congress is dishing up some leftovers—the same legislative dishes that were unpalatable to the foodservice industry last year. Meanwhile, President Bush, constrained by the deficit and his pledge not to raise taxes, has a limited menu of choices. Federal regulatory agencies are preparing a smorgasbord of proposals with potential impact. And the federal government is passing the plate to the states on many issues: Now they will have to fork over bucks for programs that had been federally funded* 121

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Cover illustration by Randall Enos.

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REPRINTS, INDEX AVAILABLE

Restaurant Business *now has available specially prepared reprints of the* **1988 RESTAURANT GROWTH INDEX** *and the* **1988 MAJOR FORCES IN FRANCHISING.** *The reprints are available for $5 per copy.*

In addition, Restaurant Business *is now offering its* **1988 EDITORIAL INDEX** *for $25 per copy.*

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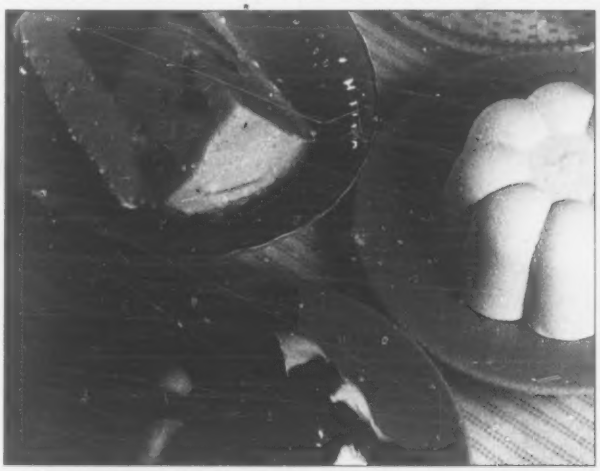

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COVER STORY

RB LEADERSHIP AWARDS

In every industry, there are leaders and there are followers. This year, the editors are pleased to honor the winners of *RB*'s Seventh Annual Business Leadership Awards: Ted Balestreri, proprietor, The Sardine Factory; Steve Elmont, president, Creative Gourmets; Ruth Fertel, president, Ruth's Chris Steak Houses; Carl Mottek, Hilton Hotels; Bob Rosenberg, chairman and CEO, Dunkin' Donuts. Each winner will be profiled in depth in the May 1 issue of *Restaurant Business.*

MARKET SEGMENT REPORT

BAKERY

Consumers have demonstrated a seemingly insatiable desire for fresh-baked goods, and purveyors of cookies, donuts, cinnamon rolls, and desserts have benefited. Competition is growing, however, as limited-line specialty bakers feel the pinch from broad-menu restaurants adding bake-off and scratch facilities.

MENU IDEAS

PRACTICAL PRODUCE

Fresh is in for fruits and vegetables, and these ideas from the *Restaurant Business* Test Kitchen will help operators menu produce.

DRAFTS, CARAFES & SPIRITS

SEASONAL DRINK PROMOTIONS

It's not too early to start thinking about tall, cool summertime drinks—or too late to offer warming, late-winter libations.

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ICE CREAM *And* YOGURT

BY PATRICIA KOLB

Chains are adding many new frozen products to their menus.

Everyone in the segment has been expanding menus with the addition of frozen yogurt, novelties, cakes and pies, superpremium ice creams with high butterfat content, and paradoxically, low- and no-fat products. The idea of mixing in candies, cookies, and fruits was pioneered by the Steve's Ice Cream chain; now many of the other players have a mix-in line. And, new and exotic flavors aim to attract new customers and keep them coming back.

Frozen yogurt—primarily soft-serve and in a multitude of flavors—is hot. Besides spawning several small but rapidly growing frozen yogurt chains, this cool trend has the major players in the ice cream segment adding yogurt to their product lines.

Sales of ice cream and frozen custard were projected to reach $1.7 billion in 1988, a 7.1% increase over 1987, while 1989 is expected to bring a 6.5% increase, increasing sales to $1.8 billion, according to the National Restaurant Association.

EXPLOITABLE GAP. Frozen yogurt is a product that many Americans have not yet tried. Some studies indicate that only 30% of the population has tried frozen yogurt; another survey puts that percentage at 57%. In either case, says Mimi Hurst, vice president of The Country's Best Yogurt (TCBY), whose company subscribes to the 57% figure, "the opportunity exists to convert a significant number of nonusers." The study, compiled for TCBY by the Dallas-based research firm of M/A/R/C, asked people what they planned to eat more of in 1989. Fifteen percent of the respondents said that they plan to eat more ice cream, while 43% said they would eat more frozen yogurt.

The study indicated another reason for yogurt's growing popularity: concern about cholesterol. Most frozen yogurt has low or no cholesterol. However, as Michael Sullivan, president of Minneapolis-based International Dairy Queen (IDQ) points out, "Though this current craze for yogurt is health-related, in fact, in its current formulation, yogurt is close to soft-serve ice cream in calories and fat content." IDQ's soft-serve ice cream is 5% butterfat; most frozen yogurt is about 4% butterfat.

Though frozen yogurt is popular, the number of yogurt units is still dwarfed by the number of ice cream units. According to Millie Lemajich, marketing manager of the Restaurant Consulting Group, publisher of RECOUNT, the total number of yogurt units in 1988 was 1,923, while ice cream units in the U.S. totaled 22,214.

Growth in frozen yogurt stores last year was 400%—largely due to the rapid expansion of TCBY. Ice cream units grew by about 3%, slightly less than the growth rate of the foodservice in-

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Ice Cream & Yogurt

Yogurt is trendy; even ice cream chains now serve it.

dustry in general at 3.6%.

TCBY, along with other fast-growing yogurt chains, such as Atlanta-based Perkits Yogurt, Metairie, LA-based Zack's Famous Frozen Yogurt, New York City-based Everything Yogurt, and Dallas-based I Can't Believe It's Yogurt, accounted for the lion's share of frozen yogurt unit growth. The ratio of chain stores to independent units is two to one. In the ice cream segment, independent units grew slightly faster than chain units.

STRATEGIES. Frozen novelties such as Baskin-Robbins' Frozen Sundae Bars and IDQ's Chocolate Mountain Bar, plus frozen cakes and pies, soft-serve with mix-ins, new flavors, and menu expansion are spurring sales.

Superpremium products are another way to increase sales. In fact, superpremium ice cream—which has a butterfat content of 14% to 20%—posted a 15% growth rate, higher than any other ice cream product. Most of that growth occurred in supermarket sales, but foodservice is benefiting: Almost every major ice cream chain offers a superpremium line, including Baskin-Robbins, Bresler's, and Tastee Freez.

On the opposite end of the scale, low-fat and no-fat products are also gaining popularity. Baskin-Robbins added "Low, Lite 'n Luscious," a low-fat, frozen dairy dessert, which is 97% fat free and has one-third fewer calories than ice cream. And Bresler's added Weight Watchers Frozen Dairy Dessert.

Mark Kaplan, chairman of 30-unit Gorin's Homemade Ice Cream and Sandwiches Co. in Atlanta, feels that there's a trend towards lighter products. "We see a lot of activity in ice cream—an emergence of newer, lighter products that will strongly compete against frozen yogurt, and entice customers back to ice cream."

MARKET LEADER. The giant of the industry, International Dairy Queen, experienced "some real growth, but not as much as the previous year," says president Michael Sullivan. He predicts "1989 will also be soft in the ice cream end of the business, but a little better in the food end."

Sullivan attributes the softness of 1988 to a cold spring and to the negative economic impact of the drought. To counter that, IDQ introduced frozen yogurt in four markets in 1988, and is expanding the introduction to 300 stores in 20 markets in 1989. The frozen yogurt is a soft-serve product that is served in cones and sundaes. A mix-in product, similar to the chain's successful Blizzard, is called a Breeze.

IDQ is also building its food business. In fact, food now accounts for almost 50% of sales, thanks to 3,600 full-menu Brazier units. Claims Sullivan, "We're probably the country's largest purveyor of hot dogs."

Two years ago, IDQ unveiled a line of premium hard-pack ice cream called Queen's Choice. It is currently in 1,500 units, and accounts for about 6% of frozen-treat sales. Also in 1,500 stores is a line of ice cream cakes and logs. The

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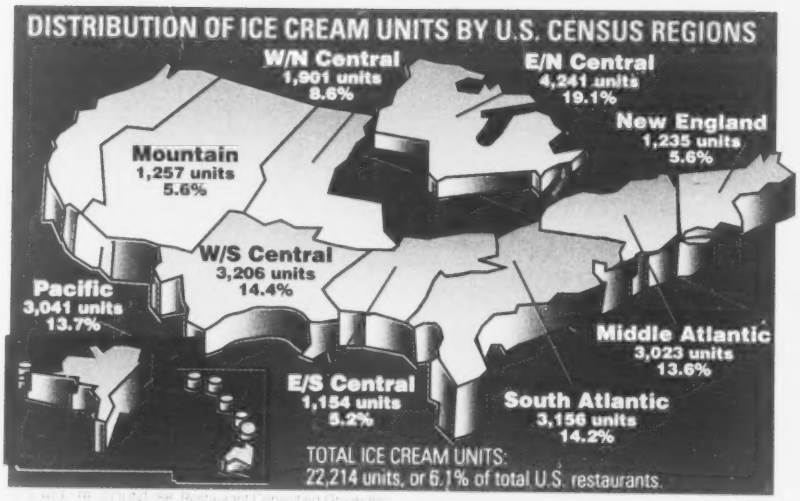
Staten Island, NY-based Sedutto, a division of Schrafft's Ice Cream Co., is known for Italian ice cream specialties such as spumoni and tortoni.

Ice Cream & Yogurt



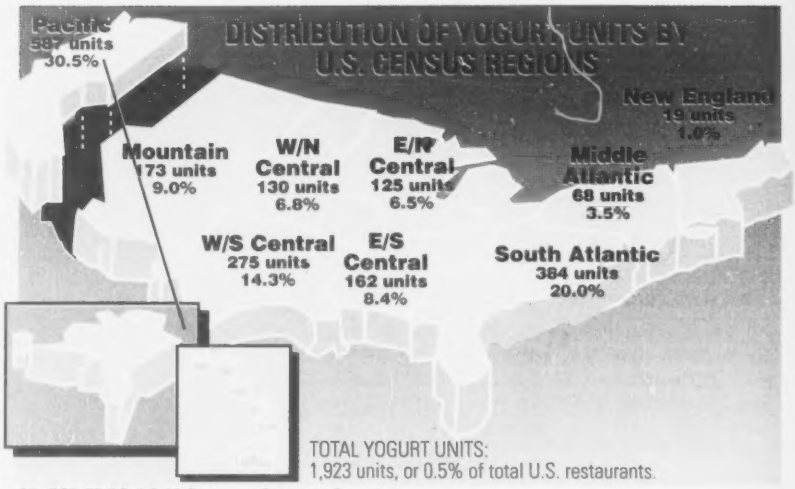
investment required to install the frozen cake program ranges from $7,800 to $9,000. IDQ also offers a Chocolate Mountain Bar, a 6oz., 14% butterfat ice cream bar coated in semi-sweet chocolate that sells for $1.25 to $1.50.

The IDQ Treat Center is a departure from the traditional Dairy Queen unit. Following the acquisition of 750-unit Orange Julius and 230-unit Karmel Korn, the company created its Treat Center, a combination of the three concepts in one storefront. Nationally, there are 35 Treat Center units in malls, ranging in size from 189 sq. ft. to 2,000 sq. ft. "Sales per square foot are extremely high," says Sullivan.

IDQ currently has 5,075 stores worldwide, with systemwide sales of $2.07 billion and average unit sales of $405,000. According to Sullivan, the company plans to add about 200 units in 1989, the same rate of growth it experienced in the last few years.

Baskin-Robbins, the leader in dipped ice cream sales, has also been stimulating sales with product mix innovations.

Two years ago, Baskin-Robbins debuted its line of superpremium International Creams, a line of 16% butterfat ice creams in flavors such as Almond Amaretto and Chocolate Rasp-



SOURCE: RE-COUNT '88, Restaurant Consulting Group Inc.

berry Truffle. Its original line of Deluxe Ice Cream has 12% butterfat. Baskin-Robbins has long had a line of ice cream pies and cakes that have remained popular over the years.

This year, the Glendale, CA-based company introduced the Low, Lite 'n Luscious line of low-fat frozen dairy desserts and a line of nonfat, soft-serve frozen yogurt. According to company spokesperson Marilyn Novak, "Men over the age of 35 are more cholesterol-conscious, so these products are natural extensions of our line." The yogurt comes in 25 flavors, including White Chocolate, Apple Cinnamon, and Chocolate Raspberry. It is offered, four flavors at a time, in 550 stores out of the company's 2,500 U.S. stores. Baskin-Robbins has 3,400 units worldwide.

Another innovation is the Ice Cream Sundae Bar: Jamocha Almond Fudge, Pralines & Cream, Coconut Joy, and Strawberry Royale ice creams dipped in chocolate. The bars are generally a take-out item.

QUALITY. Friendly Ice Cream Corp., the 850-store, Wilbraham, MA-based company, wants to improve quality and value perception. The company is considering raising the butterfat level of its premium ice cream line, and it is looking at ways to improve its flagship food item, The Big Beef hamburger.

Says marketing vice president John Sauve, "We will continue to emphasize our ice cream line; it helps differentiate Friendly from its competitors." The

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It's the most popular ice cream mix-in flavor today – Heath® Bar Crunch. And Grand American's® got it. You'll want to add it to your line because Heath® Bar Crunch will make a lot of noise in your cash register. Call 1-800-448-3400 ext. 573 for a sample of this and our other unique, premium flavors.
RICH'S
HEATH

Ice Cream & Yogurt

company derives about 65% of sales from food and 35% from ice cream.

Friendly is also testing soft-serve frozen yogurt in a few units. Says Sauve, "We have been very pleased with the results and plan to expand the test to another six units."

The company recently scored a success with its new Hot Apple Pie Cobbler sundae, and is planning to introduce six more sundaes. Friendly is also marketing its take-out products such as ice cream cakes and pies. "We've begun personalizing the cakes and pies, and that has proved very successful. We will also be advertising these frozen products more aggressively," says Sauve.

Instead of expanding the number of units it has, Friendly plans to concentrate on upgrading and improving its current units. "Refurbishment of our stores will take up our attention for the next couple of years," says Sauve. Friendly posted sales of $600 million in 1988.

Another well-established ice cream chain, Yonkers, NY-based Carvel Corp., is also beginning to market its frozen yogurt and low-calorie products—Thinny Thin and Lo Lo—more aggressively. These products have been on the menu since 1972, but the 800-unit chain is giving them a new push to answer strong competition from frozen yogurt. Carvel was one of the pioneers of the ice cream franchise business with its product line of soft-serve cones, sundaes, and milkshakes, as well as premium-quality dipped ice cream.

DOUBLE-DIGIT INCREASES. The 280-unit, Teaneck, NJ-based Häagen-Dazs Ice Cream Co. reported sales of $70 million last year, with average unit sales of $240,000. Parent Pillsbury was acquired by Britain's Grand Metropolitan PLC last year. Though Häagen-Dazs has had some difficult years, it has now stabilized its number of units and will build 25 stores in 1989, according to president Ben Silloway. "Our objective is double-digit sales increases in our stores," he says.

Silloway predicts some very competitive times ahead. Häagen-Dazs' edge will come from its variety of flavors, as well as its frozen yogurt and a new line of soft-serve ice cream with 16% butterfat and very low overrun. Silloway notes that the company's new chocolate flavors with real Belgian chocolate have already increased sales.

Frozen novelties have increased take-out sales.

Häagen-Dazs offers waffle cones and sundaes in addition to regular cones and cups. Its Create Your Own Ice Cream Bar has also proved successful, as has a line of cakes.

Silloway notes that the yogurt line already accounts for 15% of sales and that most of that business is incremental. A fruit-and-yogurt luncheon platter is slated for introduction.

With sales of $31.8 million in 1987, Vermont-based Ben and Jerry's currently operates 70 units, 65 of which are franchised. The company offers 34 flavors in 2.5-gal. bulk containers and 12 flavors in prepacked pints. It also offers novelties such as the Peace Pop (chocolate-coated ice cream bars, priced at $1.69) and the Brownie Bar (priced at $1.35).

Ben and Jerry's will target 10 markets for growth, including New York City, Boston, Philadelphia, Miami, San Francisco, and Los Angeles.

Friendly offers take-out items such as these single-serve sundaes.

Another superpremium marketer, Steve's Ice Cream, has just added the 100-unit, California-based Heidi's Frogen Yozurt to its fold, which already included the 325-unit Swensen's. Swensen's and Steve's both moved their headquarters to Andover, MA, last year—Swensen's from Phoenix and Steve's from New York City.

Swensen's has built a reputation in the West and Southwest as "The Sundae Architects" with its line of Earl's Custom Combination flavors such as Chocolate Macadamia Nut. The chain hopes to build 25 to 30 new stores in New England, Florida, and California. Currently, Swensen's has 225 franchised units, 80 overseas units, and four company-owned units.

PIONEER. Steve's currently operates about 100 Steve's Ice Cream stores, and is considering adding food to its product mix. The chain pioneered the mix-in concept with its high-butterfat ice cream and mix-in candy toppings.

Utica, MI-based Tastee Freez International, a three-tier franchisor of 430 Tastee Freez units, is exploring growth opportunities outside of its traditional soft-serve business.

According to Chris Raab, director of marketing, Tastee Freez has just entered into an agreement with Love's Country Stores (Musket Corp.) to put soft-serve and hard ice cream lines into its stores. Two units are in test. The company also has a tandem operation

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Ice Cream & Yogurt

with three or four Mr. Donut units in Quebec, Florida, and Minneapolis.

Raab reports that franchising efforts for the Tastee Freez Heritage units (fast service, full menu) have been "quite successful." Eight Heritage units were opened in 1988, and Raab predicts these franchisees will become multi-unit operators. Tastee Freez Heritage units report average unit sales of $350,000. Products include the ¼-lb. Big Country Beef Burger and a grilled chicken breast sandwich. "We're in a shrink-to-grow pattern by losing a few of our old walk-up units," adds Raab.

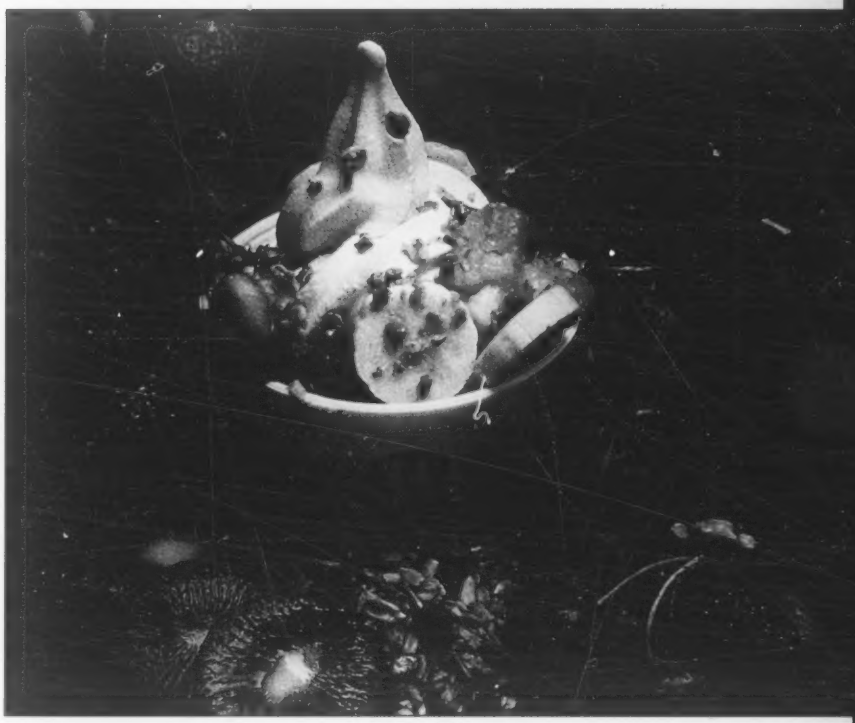
Like many of its competitors, Tastee Freez is also thinking about soft-serve yogurt, although Raab notes, "We haven't ruled out the possibility of hand-dipped yogurt. We have hard ice cream in about 60 stores and we are looking to grow that, though it's a heavy investment in equipment."

Tastee Freez units make their own ice cream on-premise, a competitive edge. The dipped ice cream comes in flavors such as Walnut Brownie Bash, Brazen Rum Raisin, and Heath Flavor. Also on the menu: a Freezee (priced at $1.45 to $1.95), which is soft serve in a cup mixed with candies, bananas, or other toppings.

Tastee Freez is a subsidiary of De Novo Corp., which also owns 40 Dairy Isle stores, and the Dogs 'n Suds chain.

TRADITION. The 75-year-old, Boston-based Brigham's Ice Cream is another chain considering adding frozen yogurt to its menu. Says company president Richard Silva, "We introduced hard frozen yogurt in the early 1970's, but it was not a big seller."

Brigham's units offer breakfast and lunch food items with waitress service in a traditional ice cream parlor setting. Brigham's ice cream is 15% butterfat and is available in about 20 flavors, including Frozen Pudding, Egg Nog (with dark rum) and Peppermint. Silva notes that a recently introduced diet product, "Brigham's Light," has had only marginal success.



Baskin-Robbins has been stimulating sales with product innovations; stores offer a selection of 31 flavors at any one time.

Brigham's recently franchised 16 of its company-owned stores, mostly to store managers. It has five new locations sold, as well. A new store design incorporates a 1950s-style ice cream parlor decor that has been implemented in about one third of the stores.

With some 70 units in operation, Brigham's posted sales of $30 million in 1988. Brigham's sells about one million gallons of ice cream in its restaurants each year, and sells an equal amount to supermarkets.

"We see yogurt as our salvation," says Brent Rumple, president of the three-unit, Indianapolis-based Strawberry Hill Ice Cream Co. Rumple introduced a premium hand-dipped yogurt to the product mix of superpremium ice cream and ice cream bars. Strawberry Hill Ice Cream comes in over 170 flavors, with 21 flavors available at any given time. Yogurt is available in four flavors. Novelties account for about 25% of the company's business.

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Low- and no-fat frozen products are becoming popular.

Ice Cream & Yogurt

The stores also offer light sandwiches.

Strawberry Hill Ice Cream Co. sales in 1988 were over $900,000, including its wholesale ice cream business. The company plans to move into franchising in the near future.

When it added yogurt to its name, Des Plaines, IL-based Bresler's Ice Cream and Yogurt made a strong statement about the addition of yogurt to its product line. In its 300 units, the chain offers 17 flavors of Bresler's Gourmet soft-serve yogurt, which now accounts for from 10% to 50% of sales. Bresler's is working on a no-fat, no-cholesterol, no-lactose, reduced-calorie product, to debut in 1989, according to president David Lasky. An extension of its superpremium Royal Cremes line is also being considered.

DRIVE-THRUS. The 42-unit Twistee Treat chain set itself apart from the frozen product crowd when it added drive-thru capability to two units, and it is considering the possibility of retrofitting existing units. "We will always offer drive-thru capability as an option in new freestanding units," reports president Steve Townes.

The Ft. Myers, FL-based soft-serve company is also building in-line mall shops that are dramatically different from its cone-shaped freestanding stores. There are eight variations of parlor-type mall units, which also offer baked goods and novelties on a stick.

Twistee Treat offers 80 flavors of 10% butterfat soft serve, which accounts for 50% of sales. Typical units have six to eight serving ports and the flavors can be changed daily. The stores also offer 25 flavors of Trim-Treat, a low-calorie, fructose-based, nondairy frozen dessert product, with no cholesterol and no fat. This product garners about 25% of sales and is the company's fastest growing product area, according to Townes.

Twistee Treat has just introduced yogurt in 20 flavors; it is already running at 10% to 13% of sales. Gourmet cookies and ice cream cakes (in test) round out the product line.

Ice cream units grew by about 3% in 1988.

"Last year was a good year for us, particularly in portion-controlled specialty products," says Steve Capece, vice president of marketing for Staten Island, NY-based Sedutto, a division of Schrafft's Ice Cream Co. Schrafft's is a packaged ice cream label while Sedutto is known for Italian ice cream specialties such as spumoni and tortoni, as well as bulk ice cream.

Sedutto ice cream is dipped by 150 to 200 independent operators in the New York metropolitan area. Another 15 operators license the Sedutto name. There is no fee involved—the operators can take on a branded identity as long as they maintain standards.

Sedutto's product line includes: Tartufo, $2.50 to $4; Mud Pie; and an ice cream *bombe*. The company recently introduced Sedutto Soft Serve Gourmet Frozen Yogurt. It accounts for about 5% of sales.

Atlanta-based, 30-unit Gorin's Homemade Ice Cream has built its reputation on homemade products, so, as company chairman Mark Kaplan relates, "a year ago, when we knew a segment of our customer base was calorie-conscious, we considered bringing in a stainless steel machine to serve frozen yogurt, but it didn't fit our homemade image." Instead, the company routed former Hood Ice Cream executive Walter Simonson, the man credited with inventing frozen yogurt, out of retirement to create a frozen yogurt consistent with Gorin's image.

"The response has been fabulous," claims Kaplan. The hand-dipped product accounts for 20% to 25% of Gorin's frozen-dessert business. The chain also offers sandwiches, but ice cream products account for 55% to 60% of its sales.

SETTING THE PACE. Setting the pace for the rest of the frozen yogurt industry is Little Rock, AR-based The Coun-

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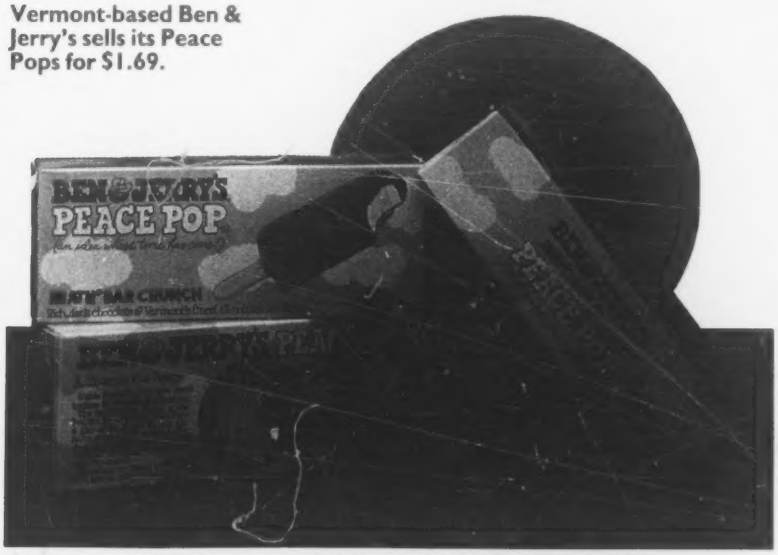
Vermont-based Ben & Jerry's sells its Peace Pops for $1.69.



Ice Cream & Yogurt

try's Best Yogurt (TCBY). The 1,175-unit chain added 350 stores in 1988, and plans to do the same in 1989—almost exclusively through franchising. The company has 12 Canadian units, plus one in the Bahamas and one in Taiwan.

Hurst reports average unit sales of $224,000 and average checks of $2.40. Systemwide sales for 1988 were $210 million.

TCBY's product line includes soft-serve frozen yogurt in 29 flavors served in cups, cones, waffle cones, and sundaes, and on Belgian waffles. It also has a Lite Bite line of reduced-calorie yogurt desserts. Winter Warmers, including a mini-Belgian waffle, Bananas Foster, and Hot Fudge Brownie, are being marketed during cool weather months. The company also is testing a line of cakes. All TCBY yogurt is manufactured by its manufacturing facility, Americana Foods.

Most TCBY units are in-line units with seating available, though there are about 12 freestanding units.

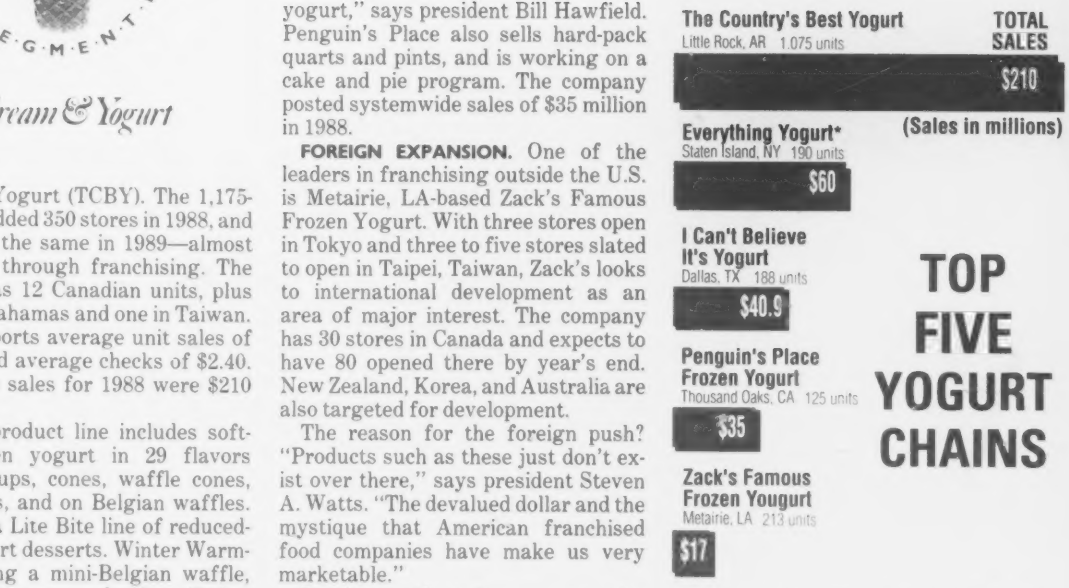
Penguin's Place, the Thousand Oaks, CA-based frozen yogurt chain, intends to dominate the Los Angeles market by concentrating growth there in 1989 with an additional 25 units. The 125-unit chain offers soft-serve yogurt with over 30 toppings. "Over half of our customers order toppings on their yogurt," says president Bill Hawfield. Penguin's Place also sells hard-pack quarts and pints, and is working on a cake and pie program. The company posted systemwide sales of $35 million in 1988.

FOREIGN EXPANSION. One of the leaders in franchising outside the U.S. is Metairie, LA-based Zack's Famous Frozen Yogurt. With three stores open in Tokyo and three to five stores slated to open in Taipei, Taiwan, Zack's looks to international development as an area of major interest. The company has 30 stores in Canada and expects to have 80 opened there by year's end. New Zealand, Korea, and Australia are also targeted for development.

The reason for the foreign push? "Products such as these just don't exist over there," says president Steven A. Watts. "The devalued dollar and the mystique that American franchised food companies have make us very marketable."

Zack's president foresees a major shakeout in the yogurt industry in the next few years that will "consolidate the industry to four or five major players. Yogurt will continue to erode ice cream's base until it reaches about one third of ice cream's market," Watts predicts.

Zack's offers waffle cones ($2.09), a Flurry (yogurt mixed with fruit or candy, priced at $2.10), Zackwiches (cookies sandwiched with yogurt priced at 89¢), and 29 flavors of soft-serve yogurt—with six flavors available daily. The company also plans to roll out hard-pack frozen yogurt with blended-in fruits, nuts, and flavorings.



Watts reports average units sales of $180,000 and 1988 systemwide sales of $17 million.

The Staten Island, NY-based Everything Yogurt chain has learned a lot in its 14-year existence. Being "the oldest yogurt company in existence" has taught company president and founder Richard Nicotra that there is a danger in being "one-dimensional." For this reason, Everything Yogurt units are nearly always in tandem operation with its sister concept, Bananas Frosty Fruit Shakes.

Everything Yogurt markets yogurt with fresh fruit, granola, and carob chips instead of candy mix-ins. The menu also offers sundaes, shakes, cones, salads, pita bread sandwiches, quiche, and fruit juices. The average check is $2.95 in a mall unit, $4 in a downtown location. Annual unit sales range from $30,000 to $1 million, depending on the location.

SHAKE IT UP. Everything Yogurt's Bananas Frosty Fruit Shakes units offer frozen fruit drinks such as bananaberry, strawberry, honey and fresh fruit, piña colada, and Super Fruit. The shakes are priced according to size, at $1.10, $1.50, and $1.85. There are 100

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TOP FIVE ICE CREAM CHAINS

	Total Units	Total Sales
International Dairy Queen Minneapolis, MN	5,075	$2.07 billion
Baskin-Robbins Glendale, CA	3,400	$623 million*
Friendly Ice Cream Corp. Wilbraham, MA	850	$600 million
Carvel Corp. Yonkers, NY	850	$223 million*
Tastee Freez Utica, MI	397	$148 million

*Estimated by Restaurant Business Magazine

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Ice Cream & Yogurt

Bananas Frosty Fruit Shake units.

Everything Yogurt reports 1988 sales of $60 million. Though it has no foreign units yet, Nicotra says the company is looking at Japan, Korea, and Europe.

Fast-growing Atlanta-based Perkits Yogurt is a 69-unit chain with big plans. It has over 400 new stores under development here and abroad, focusing on the Pacific Rim, South America, and Europe.

The 180-store, Dallas-based I Can't Believe It's Yogurt serves up its product in a variety of guises, including frozen yogurt pies.

Frozen yogurt units grew by 400%.

The company, which was founded by brother and sister Perk and Kit Evans Henderson in Cleveland, TN, prides itself on the quality of its product. The menu includes waffle cones, Belgian waffles topped with fresh fruit, sundaes, banana splits, taco and chef's salads, and Snow Blasts—frozen yogurt with toppings "blasted in" by a special machine.

The restaurants also offer a line of party cakes and pies, and most units have a special "party room." Many of the units also have drive-thrus, which have accounted for sales increases of up to 30%.

Perkits recently recruited Richard Reinhard to be president of the company. Reinhard is a former 7-Eleven executive who is credited with leading the convenience store chain into the fast-food market.

The company also has a master franchise program in which area developers share in the profitability of the franchises in return for providing greater accountability between the franchisor and franchisees.

These factors give Perkits Yogurt what it believes to be the competitive edge it needs to sustain its ambitious growth plans. Company sales reached $6.8 million in 1988, with average annual unit sales of $225,000.

Another brother and sister team is responsible for the 180-store I Can't Believe It's Yogurt (ICBIY) chain, headquartered in Dallas. Julie and Bill Brice are president and chairman, respectively, of the 10-year-old company.

ICBIY units offer six to nine flavors of frozen yogurt daily, along with waffles, waffle cones, shakes, Fruit Smoothies, Parfait Delights, and pies. The average check is $1.75.

ICBIY recently introduced a no-fat, no-cholesterol yogurt, which increased average unit volumes substantially.

The company currently has 187 units, all but eight of which are franchised, and has plans for an additional 300 units by the end of 1989.

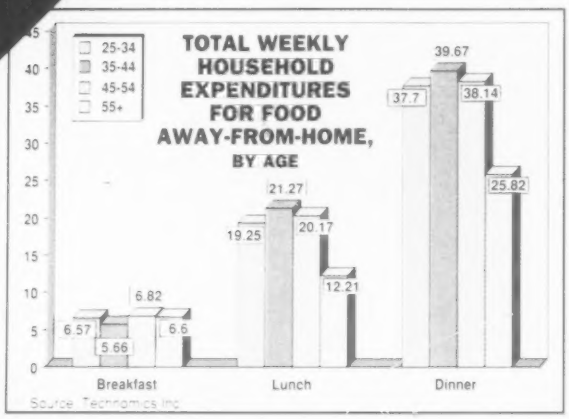
Another Dallas-based company, 18-unit I Love Yogurt, features Soft Swirl cones; 30 toppings of nuts, cookies, candies, and fruit; Yogurt Sippers; and sundaes, sandwiches, soup, and chili.

According to president Jeff Frankel, "Our yogurt sales account for 70% to 75% of our business." Average annual unit sales are $200,000, and 1988 sales were $2.5 million. Frankel expects to build nine or 10 stores in Texas, Oklahoma, and Missouri.

HERE TO STAY? Only time will tell whether or not frozen yogurt is a product with staying power. Certainly, many large corporations have invested a lot of time and money researching its appeal.

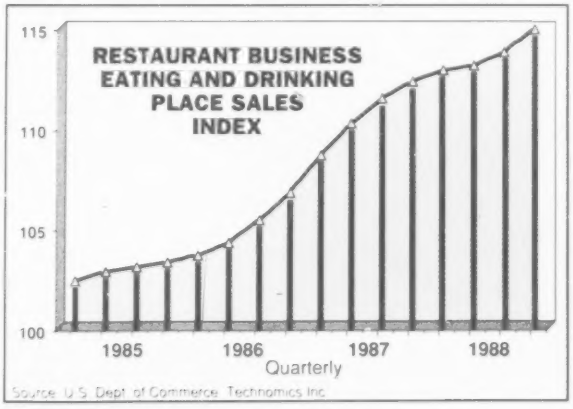
Frozen yogurt's low-cholesterol and low-fat qualities are benefits that are likely to grow in importance to the consumer. And the marketing savvy and product innovation displayed by the fast-growing yogurt companies should keep consumers' interest piqued for some time to come. ■

LATELINE



TOTAL WEEKLY HOUSEHOLD EXPENDITURES

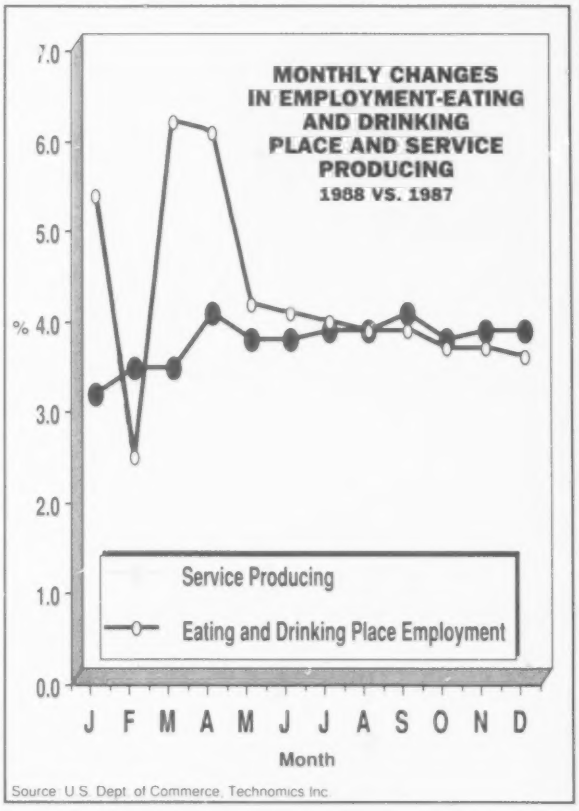
In a special mail-out survey of 1,400 adults nationwide, Technomic Inc. identified that expenditures for dining out tend to vary between age groups and, not surprisingly, dayparts. Adults spend up to seven times as much on dinner as on breakfast. However, the 35- to 44-year-old age group spends more on lunch and dinner than on breakfast (on a weekly basis). It is alarming that the 55+ age group spends the least of all adult groups per week because they are the fastest growing age group in the U.S.



RB EATING AND DRINKING PLACE INDEX

The *Restaurant Business* magazine Eating and Drinking Place Index shows real sales trends, adjusted for seasonality and inflation, through a 12-month average.

The base year is the average of 1982 to 1984 for both sales and prices. For December 1988, the index stands at 114.86—which shows that real eating and drinking sales are up 14.86% for the quarter ended December 1988 (versus the average deflated sales for the period from 1982 through 1984).


MONTHLY CHANGES IN EMPLOYMENT-EATING AND DRINKING PLACE AND SERVICE PRODUCING
1988 VS. 1987
%
Service Producing
Eating and Drinking Place Employment
J F M A M J J A S O N D
Month
Source: U.S. Dept. of Commerce, Technomics Inc.

'88 EATING AND DRINKING PLACE EMPLOYMENT

Preliminary reports from the U.S. Department of Labor show that employment at eating and drinking places increased 4.2% in 1988 over 1987, compared with just 3.7% for all service industries. Much of this growth was due to the robust increases during the first five months of the year, with the notable exception of February.

Over the last seven months, employment growth at eating and drinking places has mirrored that of all service industries. In December, eating and drinking places employed 6.4 million people, which represents 7.7% of all service industries and 5.9% of total nonagricultural U.S. employment.